PRESIDENT OF STATE

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OFFICE OF DIRECTOR
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DEPARTMENT OF STATE A/CDC/MR
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PORTIONS DENIED AS INDICATED

SECRET SECURITY INFORMATION

EGYPT

Egypt is the key to the Arab States and therefore to the problem of area defense and solution of the Arab-Israeli quarrel. The assumption of power by General Naguib has created perhaps the first real opportunity for a reasonable settlement of the problems which threaten stability in the Near East. However, a satisfactory understanding with Egypt requires solution of the Anglo-Egyptian disputes over the Sudan and over maintenance of British military bases in the Suez Canal area. It will also require provision of a certain amount of military and economic aid to Egypt.

1. The Sudan:

Anglo-Egyptian negotiations for an agreement on self-government and self-determination for the Sudan are in their final stages. There is danger, however, that they will break down over certain points connected with powers to be retained temporarily by the Governor-General [redacted] B-1 ED

The United States is not directly involved but is deeply concerned lest failure of these negotiations should make impossible a resolution of the over-all Egyptian question. We do not believe that [redacted] B-1 ED should be allowed to stand in the way of a settlement deeply affecting, not only the security and other interests of the Western Powers, but also the security and welfare of many millions of Near Easterners. [redacted] B-1 ED

2. The Suez Canal Bases:

British military installations in the Canal area are by far the largest anywhere in the Middle East and are the only ones presently in the area, outside of Turkey, capable of supporting a substantial military force. Britain presently has stationed in the Canal region about 81,000 troops, despite the fact that the

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Anglo-Egyptian Treaty of 1936 allows her only 10,000. There are indications that morale among the troops is low and that financial and practical difficulties in maintaining the bases at their present level make the British anxious for an early settlement.

The Egyptian Government denounced the Treaty of 1936 in October, 1951 and demanded that all British forces be evacuated from Egypt. However, General Naguib, present head of the Egyptian Government, has indicated that he would permit a certain number of "technicians" to remain in the Canal Zone to maintain the installations if the bulk of the British forces were withdrawn and other conditions met.

[redacted]

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Assistant Secretary of State Henry A. Byroade is this week in London at the head of a team to discuss possible proposals to Egypt regarding the Suez base question. These proposals would be combined with offers of military and economic aid from the United States and Great Britain in return for satisfactory political and military commitments on the part of the Egyptian Government.

3. Aid to Egypt:

The United States Government is planning to offer Egypt a small military aid program, to a value of about $10,000,000, the greater proportion of which will be on a cash-reimbursable basis, as an evidence of friendship and good faith without awaiting the conclusion of formal negotiations or commitments.

[redacted]

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Our main divergence with the British over the question of aid to Egypt is with respect to timing: In general, they are inclined to be more cautious and demand more in return from the Egyptians for such assistance.

Our plans for economic aid to meet the pressing social and economic problems which face Egypt are still in the exploratory stage. However, the Point Four Program is now expanding its operations in Egypt and is becoming a widely accepted indication of United States interest in Egyptian problems.